

The Directors have pleasure in submitting their annual report together with the audited accounts of the Company and of the Group for the year ended 31 March 2004.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in assembling and distribution of home appliance products during the year. The analysis of turnover and contribution to profit/(loss) before taxation by principal activities and geographical location is as follows:

	By principal activities					
	Trading of		Assembling and distribution		Total	
	Audio-visual products		of home appliance products			
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Discontinued)			
Turnover	<u>–</u>	<u>–</u>	<u>15,436</u>	<u>37,475</u>	<u>15,436</u>	<u>37,475</u>
Segment results	<u>–</u>	<u>(108,974)</u>	<u>38,649</u>	<u>(72,955)</u>	<u>38,649</u>	<u>(181,929)</u>
Unallocated expenses					<u>(2,144)</u>	<u>(7,445)</u>
Profit/(loss) from operations					<u>36,505</u>	<u>(189,374)</u>
Finance costs					<u>(3,549)</u>	<u>(2,237)</u>
Profit/(loss) from ordinary activities before taxation					<u>32,956</u>	<u>(191,611)</u>

The above turnover and segment results are solely derived from the Group's operation in the People's Republic of China.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 18 of this annual report.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2004.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

## RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2004, there is no reserve available for distribution. The breakdown of the reserves of the Group is set out in note 20 to the financial statements.

# REPORT OF DIRECTORS

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 12 to the financial statements.

## PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loan and other borrowings are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unsecured loans	1,000	–
Secured bank loans	–	66,458

## SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries of the Company as at 31 March 2004 are set out in note 13 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 19 to the financial statements.

No share options has been granted by the Company during the year ended 31 March 2004.

## PRE-EMPTIVE RIGHTS

There is no provision of pre-emptive rights under the company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group did not have sufficient information to quantify the five largest customers and suppliers. Accordingly, no information on the percentage for the five largest customers and suppliers to the respective total amounts of the Group's turnover and purchases have been presented.

At no time during the year were the Directors, their associates, or any shareholder of the Company who to the knowledge of the Directors owned more than 5% of the Company's share capital had any interest in any customers and suppliers of the Group.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report are:

### Executive Directors

Mrs. Pei Chen Chi Kuen Delia (Chairman)

Dr. Pei Yaw Liang

Mr. Yang Chun Thomas

## Independent Non-executive Directors

Mr. Cheng Hong Cheung

Mr. Lam Kwok Ming

Mr. Leung Wing On Louis appointed on 9 October 2004

In accordance with Bye-law 87(1), Mr. Yang Chun Thomas shall retire from his office by rotation at the annual general meeting. In addition, in accordance with Bye-law 86(2), Mr. Leung Wing On Louis, a newly appointed director shall be retired from his office at the forth coming annual general meeting. Being eligible, Mr. Yang Chun Thomas will offer himself for re-election as an executive director and Mr. Leung Wing On Louis will offer himself for re-election as an independent non-executive director.

The Company has entered into service contracts with Mr. Cheng Hong Cheung and Mr. Leung Wing On Louis respectively. None of the Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

A letter has been received from each of the independent non-executive directors to confirm his independence pursuant to rule 3.13 and that the Company has confirmed that all independent non-executive directors are independent.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND EQUITY DERIVATIVES

As at 31 March 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and equity derivatives of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage of interest in the Company
Mrs. Pei Chen Chi Kuen Delia	Corporate <i>(Note)</i>	71,134,000	19.51%
Dr. Pei Yaw Liang	Family <i>(Note)</i>	71,134,000	19.51%
Mr. Yang Chun Thomas	Personal	186,000	0.051%
Mr. Lam Kwok Ming	Personal	190,000	0.052%

*Note:*

These shares are beneficially owned by Arko Resources Limited and the entire issued share capital of which is wholly owned by Mrs. Pei Chen Chi Kuen Delia. Dr. Pei Yaw Liang is deemed to be interested in these shares as he is the spouse of Mrs. Pei Chen Chi Kuen Delia.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR EQUITY DERIVATIVES**

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and equity derivatives" above and in the share option scheme disclosures in note 19 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or equity derivatives of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS**

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACT**

No contracts concerning the management and administration as a whole or any substantial part of the business of the Company were entered into or existed during the year.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors has interest in a business which competes or may compete with the business of the Group, required to be disclosed pursuant to Rule 8.10 of the Rules governing the Listing of Securities on the Stock Exchange.

## FIVE YEAR SUMMARY

The result, assets and liabilities of the Group for the last five financial years are summarized as follows:

Year ended 31 March	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>PROFITS AND LOSS ACCOUNT</b>					
TURNOVER	<b>15,436</b>	37,475	70,364	147,672	335,641
Profit/(loss) before taxation	<b>32,956</b>	(191,611)	(24,397)	(47,534)	49,956
Taxation credit/(charge)	–	(29)	–	217	(635)
Profit/(loss) after taxation	<b>32,956</b>	(19,640)	(24,397)	(47,317)	49,321
Minority interest	–	36,126	(122)	1,960	(2,546)
Profit/(loss) attributable to shareholders	<b>32,956</b>	(155,154)	(24,519)	(45,357)	46,775
<b>BALANCE SHEET</b>					
Property, plant and equipment	–	6,952	17,381	27,268	23,049
Net current (liabilities)/assets	<b>(2,159)</b>	(78,368)	83,487	85,270	134,078
	<b>(2,159)</b>	(71,416)	100,868	112,538	157,127
Shareholders' funds	<b>(4,582)</b>	(37,616)	100,517	111,996	154,219
Non-current liabilities	<b>2,423</b>	–	121	434	121
Minority interests	–	33,800	230	108	2,787
	<b>(2,159)</b>	(71,416)	100,868	112,538	157,127

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules since the date of commencement of trading of its shares on the Stock Exchange, except that the independent non-executive directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's bye-laws.

## COMPLIANCE WITH THE MODEL CODE

In the accounting period covered by the annual report, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

# REPORT OF DIRECTORS

## AUDITORS

Messrs. Wong Lam Leung & Kwok C.P.A. Limited retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

## CONNECTED TRANSACTIONS

During the year, the Group had no transactions with related parties.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Name	Interest in shares	Nature of interest	Percentage of The Company's issued share capital
Arko Resources Limited	71,134,000	Corporate ( <i>Note</i> )	19.51%
Tanton Holdings Limited	30,100,000	Corporate	8.25%

*Note:*

These shares are beneficially owned by Arko Resources Limited and the entire issued share capital of which is wholly owned by Mrs. Pei Chen Chi Kuen Delia.

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 November 2004 to 30 November 2004, both days inclusive, during which period no transfer of shares will be registered.

A transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Abacus Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 23 November 2004 in order to ascertain the shareholders' rights for the purpose of attending and voting at the forthcoming annual general meeting of the Company.

## SUFFICIENT PUBLIC FLOAT

The Company has suspended trading of the shares on the Stock Exchange since 6 February 2003.

On 25 October 2004, the latest practicable date prior to the printing of the annual report, to the knowledge of the directors, there is a sufficient public float before the suspension of trading.

## APPRECIATION

Although the operating results for the financial year under review were again unsatisfactory, the Company and its Directors believe that more effort must be required to improve the performance in the challenging years ahead. In the mean time, the Directors would like to thank all the staff for their hard work and hope to have their continuous support and patience in the years ahead.

On behalf of the Board

**Mrs. PEI Chen Chi Kuen Delia**

*Chairman and Managing Director*

25 October 2004